

City of Garden City, Michigan

**Federal Awards
Supplemental Information
June 30, 2004**

City of Garden City, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Garden City, Michigan

We have audited the basic financial statements of the City of Garden City, Michigan for the year ended June 30, 2004 and have issued our report thereon dated October 29, 2004. In our opinion, except for the effects of not accruing the potential long-term debt of \$15,032,000 as discussed in the independent auditor's report, the basic financial statements previously referred to present fairly, in all material respects, the respective financial position of the City of Garden City, Michigan as of June 30, 2004. Those basic financial statements are the responsibility of the management of the City of Garden City, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Garden City, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 29, 2004

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Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements

To the Honorable Mayor and
Members of the City Council
City of Garden City, Michigan

We have audited the financial statements of the City of Garden City, Michigan as of and for the year ended June 30, 2004 and have issued our report thereon dated October 29, 2004. In our opinion, except for the effect of not accruing the potential long-term debt of \$15,032,000 as discussed in the independent auditor's report, the basic financial statements previously referred to present fairly, in all material respects, the respective financial position of the City of Garden City, Michigan as of June 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Garden City, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Garden City, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Honorable Mayor and
Members of the City Council
City of Garden City, Michigan

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 29, 2004

Report Letter on Compliance with Laws and Regulations and
Internal Control - Major Federal Awards

To the Honorable Mayor and
Members of the City Council
City of Garden City, Michigan

Compliance

We have audited the compliance of the City of Garden City, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The major federal programs of the City of Garden City, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Garden City, Michigan's management. Our responsibility is to express an opinion on the City of Garden City, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Garden City, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Garden City, Michigan's compliance with those requirements.

In our opinion, the City of Garden City, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2004-1.

To the Honorable Mayor and
Members of the City Council
City of Garden City, Michigan

Internal Control Over Compliance

The management of the City of Garden City, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Garden City, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 1, 2004

City of Garden City, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Agriculture - USDA Food Distribution Program	10.550	N/A	N/A	\$ 6,581
Environmental Protection Agency - Rouge River National Wet Weather Demonstration Grant for Combined Sewer Overflows - Passed through Wayne County, Michigan	66.606 66.606	11A-02	\$ 330,400 306,400	92,267 <u>81,431</u>
Total Environmental Protection Agency				173,698
U.S. Department of Housing and Urban Development - Community Development Block Grant - Passed through Wayne County, Michigan: Program year 2002 Program year 2003	14.218 14.218	B-02-UC-26-003 B-03-UC-26-003	220,000 204,000	57,279 <u>107,679</u>
Total U.S. Department of Housing and Urban Development				164,958
U.S. Department of Justice: Juvenile Accounting Incentive Block Grant Prevention Allocation	16.540 16.540	JAIBG - 03-82009 JAIBG - 04-82009	6,549 6,549	3,805 616
Local Law Enforcement Block Grants - Bulletproof Vest	16.592	N/A	5,710	5,710
Juvenile Justice Grant	16.540 16.540	DP-02-82002 DP-03-82003	141,574 151,055	17,559 <u>132,641</u>
Total U.S. Department of Justice				160,331
U.S. Department of Health and Human Services - Outreach Program - Passed through Area Agency on Aging - Program year 2003	93.044	1C-06-CS2002	5,000	1,081
Department of Homeland Security - Federal Emergency Management Agency - Passed through the Office for Domestic Preparedness - Power Public Assistance Project	97.036	FEMA-EM-099-69800	15,712	<u>15,712</u>
Total federal awards				<u><u>\$ 522,361</u></u>

City of Garden City, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 576,856
Add Juvenile Justice Grant revenue not received within 60 days	8,147
Less Juvenile Justice Grant revenue not received within 60 days in prior year and received in current year	(51,287)
Less Community Development Block Grant revenue not received within 60 days in prior year and received in current year	(7,359)
Add Community Development Block Grant revenue not received within 60 days	39,731
Add commodity revenue	6,581
Other differences:	
Senior Center Staffing funding from state funding	(6,562)
Western Wayne Auto Grant from state funding	(14,090)
Target Grant	(2,000)
Youth Assistance Growth Works	(16,820)
Wet Weather Demonstration Grant Reimbursement from local funding	<u>(10,836)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 522,361</u>

City of Garden City, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Garden City, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Commodities

The inventory values are based on USDA value for donated food commodities (per TEFAP site report). Reported commodity receipts values were computed using the recipient entitlement balance report and other records. Spoilage or pilferage, if any, is included in expenditures.

Note 3 - Program Income

During the year, the Community Development Block Grant Program (CFDA No. 14.218) also recognized \$18,696 of program income consisting of loan repayments and interest. The income was expended on additional residential rehabilitation projects.

City of Garden City, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weakness identified? _____ Yes X No
- Reportable condition identified that is not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness identified? _____ Yes X No
- Reportable condition identified that is not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes _____ No

Identification of major program(s):

CFDA	
Numbers	Federal Program
14.218	Community Development Block Grant
66.606	Rouge River National Wet Weather Demonstration Grant for Combined Sewer Overflows

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

City of Garden City, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
2004-I	<p>Program Name - Community Development Block Grant</p> <p>Pass-through Entity - Wayne County, Michigan</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Community Development Block Grant requires that certain information be obtained and retained for rehabilitation projects.</p> <p>Condition - The City is not maintaining the required documentation within its project files.</p> <p>Questioned Costs - Not applicable</p> <p>Context - The City is required to retain proof of insurance, application, and current income level in the personnel file; not all the files currently contain these items. The City has a checklist in place; however, the City is not reviewing the files for inclusion of the proper required documents.</p> <p>Cause/Effect - Files are not being adequately reviewed to ensure inclusion of proper required documentation.</p> <p>Recommendation - We recommend that the City follow a process for reviewing files for inclusion of proper required documentation.</p> <p>Grantee Response - The City has begun implementation of a process for reviewing all files for inclusion of proper required documentation.</p>